

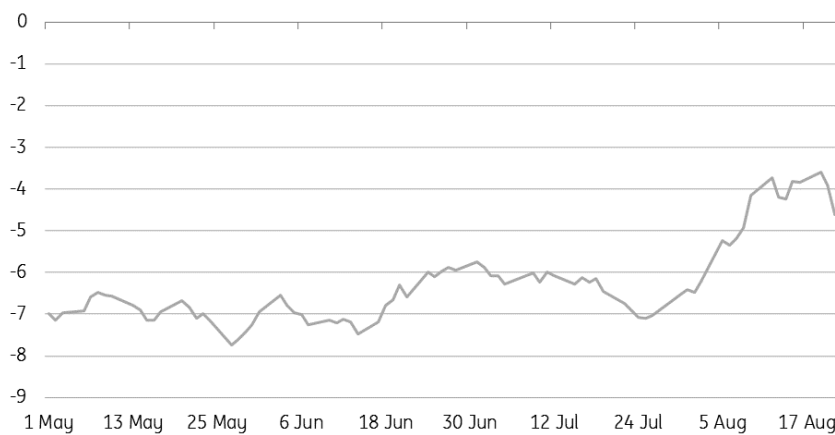
The Commodities Feed: WTI/Brent weakens

Your daily roundup of commodity news and ING views



Source: Shutterstock

WTI/Brent discount edges lower (US\$/bbl)



Source: Bloomberg, ING Research

Energy

US oil numbers: EIA data released yesterday showed that US crude oil inventories declined by 2.73MMbbls over the last week, this was more than the 1.5MMbbls the market was expecting, but less than the 3.45MMbbls the API reported the previous day. Crude stocks at Cushing fell by 2.49MMbbls, taking total stocks at the WTI delivery hub to 42.34MMbbls- levels last seen back in February.

The drawdown in stocks was driven by several factors. Firstly, refinery utilisation rates increased by 1.1 percentage points to 95.9%, which is above the five-year average for this time of the year. Secondly, crude oil imports fell by 496Mbbbls/d over the week to average 7.22MMbbls/d- imports from Mexico declined the most over the week, falling by 391Mbbbls/d.

Despite the reported draws, the WTI/Brent discount weakened, trading back down to around US\$4.60/bbl from around US\$3.60/bbl earlier in the week. While new pipeline capacity has been bullish for the spread in recent weeks, it does appear that the relative strength in WTI is starting to raise concerns over how it may impact demand for US oil from overseas buyers.

Metals

Zinc balance: ILZSG data shows that the global zinc market turned to a small surplus of 11kt in June, after three consecutive months of deficit, on the back of improving supplies from China. Year-to-date, the zinc market is estimated to have been in deficit by 134kt over the first half of 2019. We continue to believe that the Chinese zinc market will return to surplus in 2H19 on ample availability of mined ore, evident in stronger TC charges. The LME zinc forward curve remains flattened since early July after trading into deep backwardation during 2Q19, reflecting a relatively better-supplied spot market. Meanwhile, the lead market saw a deficit of 6kt in June 2019, which saw the YTD deficit widening to 65kt over the 1H19. The LME zinc/lead price ratio has dropped to a three-year low of 1.08 currently on divergent market balances.

Metal prices: The LME metals complex is largely softer this morning, with LME copper down 0.5% to US\$5,704/t, as minutes from the last Federal Reserve meeting softened expectations of an aggressive rate cut cycle. The minutes supported the view that the last cut of 25bp was more of an insurance cut, and that the Fed will be cautious in further easing unless the economic situation deteriorates significantly. For the immediate term, the market will be closely watching the Jackson Hole symposium today and tomorrow, especially Fed chair Jerome Powell's statement on Friday, to gauge current sentiment among policymakers.

Agriculture

US Midwest crop tour: The Pro Farmer Midwest crop tour has now completed its third day, and so far yields appear to confirm that the USDA is being too optimistic with its US corn yield estimates for the 2019/20 marketing year. The tour has visited Nebraska, South Dakota, Indiana and Ohio, and all states showed yields lower than what the USDA's latest crop production report estimates. The corn market has come under significant pressure in recent weeks, following the USDA's surprisingly bearish WASDE report, where they increased yield estimates, and revised lower planted area by less than market expectations.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	60.3	0.45	12.08			Spot Gold (US\$/oz)	1,502.7	-0.30	17.17		
NYMEX WTI (US\$/bbl)	55.68	-1.17	22.62			Spot Silver (US\$/oz)	17.1	-0.24	10.50		
ICE Gasoil (US\$/t)	572	1.51	11.99			LME Copper (US\$/t)	5,732	0.37	-3.91		
NYMEX HO (Usc/g)	186	0.16	10.50			LME Aluminium (US\$/t)	1,779	-0.17	-3.63		
Eurobob (US\$/t)	592	0.53	23.50			LME Zinc (US\$/t)	2,289	2.83	-7.22		
NYMEX RBOB (Usc/g)	169	0.76	27.96			LME Nickel (US\$/t)	15,825	-0.22	48.04		
NYMEX NG (US\$/mmbtu)	2.17	-2.16	-26.19								
TTF Natural Gas (EUR/MWh)	11.41	1.76	-48.08			CBOT Corn (Usc/bu)	363	0.83	-3.33		
						CBOT Wheat (Usc/bu)	463	0.54	-8.10		
API2 Coal (US\$/t)	57	-0.88	-34.36			CBOT Soybeans (Usc/bu)	861	0.56	-2.49		
Newcastle Coal (US\$/t)	64	-1.83	-36.44			ICE No.11 Sugar (Usc/lb)	11.39	-0.44	-5.32		
SGX TSI Coking Coal (US\$/t)	151	-0.13	-28.76			ICE Arabica (Usc/lb)	93	1.53	-8.84		
SGX Iron Ore 62% (US\$/t)	80.72	-6.61	16.19			ICE London Cocoa (GBP/t)	1,654	1.78	-6.34		

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.